# LEGISLATIVE SERVICES AGENCY
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## FISCAL IMPACT STATEMENT

**LS 6457** **NOTE PREPARED:** Dec 13, 2008
**BILL NUMBER:** SB 97 **BILL AMENDED:**

**SUBJECT:** Limit on real property assessment increases.

**FIRST AUTHOR:** Sen. Lawson C **BILL STATUS:** As Introduced
**FIRST SPONSOR:**

**FUNDS AFFECTED:** **GENERAL** **IMPACT:** Local
**DEDICATED**
**FEDERAL**

**Summary of Legislation:** This bill limits the annual increase in the gross assessed value of real property to 10% unless the increase results from a factor that would have increased the assessed value even if neither an annual assessment adjustment nor a general assessment applied.

**Effective Date:** January 1, 2010.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, real property assessed values are adjusted each year. Under this bill, any increase in a year due to a property reassessment or annual adjustment would be limited to 10%.

The average annual increase in value for homes sold in Indiana from 2000 through 2008 was about 2.1%. The average increase in the GDP price index for nonresidential property was 6.7% from 2000 through 2007. Since 1991, the average increase in Indiana home values has not exceeded 10%. The national GDP price index for nonresidential property has exceeded 10% twice since 1991; 11.8% in 2005 and 12.3% in 2006.

Since the average increase for homes and nonresidential property has been significantly below the 10% limit in this proposal, the bill would most likely only affect specific situations where a property or a group of properties experience a rapid increase in value due to external factors. It could also affect properties in fast-growing counties or all properties in a year where the overall market shows great gains.

If the increase in a property's assessed value would otherwise exceed 10%, the limitation under this bill would create a tax shift from the taxpayers at the limit to all other taxpayers through an increased tax rate.

The higher tax rate and lower assessed values would increase the exposure to the circuit breaker caps. This would cause a reduction in net tax bills and a corresponding reduction in local property tax collections. The actual impact would depend on local factors.

In addition, the growth in the levy for rate-controlled funds, such as cumulative funds, would be reduced by the product of the foregone AV multiplied by the tax rate.

**State Agencies Affected:**

**Local Agencies Affected:** Local assessors; Local civil taxing units and school corporations.

**Information Sources:** *2Q 2008 Purchase-Only Indexes for Each State*, Office of Federal Housing Enterprise Oversight; *Price Indexes for Gross Domestic Product*, Bureau of Economic Analysis, November 25, 2008.

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